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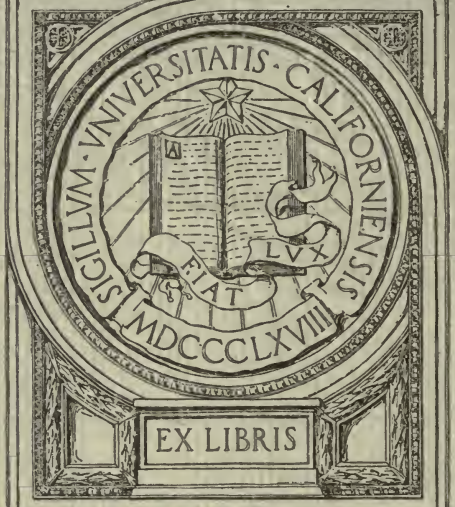
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Mutual Aid in Agricultural Insurance

BY

A. SOUCHON

Professeur à la Faculté de Droit de Paris.

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MUTUAL AID IN AGRICULTURAL INSURANCE

By A. SOUCHON

Professeur à la Faculté de Droit de Paris.

GENERAL IDEA AND LEGISLATION

We know what marvels have been done in every country by mutual aid societies. When, thanks especially to the creation and development of Agricultural Societies, French agriculture at the end of the XIX century entered upon the ways of association, it was naturally destined to ask what place it should give in its professional life to mutualist forces.

It soon became clear that this could be both by credit and by insurance. In another treatise we have shown what our institutions of mutual credit are. Here we will only occupy ourselves with « Agricultural Insurance ». It is first necessary to clearly define this expression. By agricultural insurance we mean, not all those forms of insurance likely to be found useful by the agriculturist, but only those which touch his professional life. An agriculturist, like any other person, may be induced

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to contract an insurance on his life; but in that there is nothing inherent to his trade, and it is therefore not a case of agricultural insurance. If, on the contrary, it is a question of guaranteeing against the risks of hail or accidents to his employees, against the mortality of his cattle or the risks of the buildings on his farm catching fire, these do represent agricultural insurance. The field before us is, then, a fairly vast one, and we shall come across very diverse forms, each having its own particular technicalities.

But before entering upon the successive examinations which we shall have to make, we feel we must bring out some of the common generalities. These we find in legislation affecting this question. Up to the end of the XIX century there was nothing special in our laws concerning agricultural insurance. The societies to be founded for this end were submitted to the ordinary rules of our legal Code in matters of insurance, notably concerning the formalities and fiscal charges. It was in 1900 that a law was passed which is still today the liberal charter of agricultural insurance. This was the law of July 4th of this year 1900. It decided that henceforth mutual aid societies for agricultural insurance should be freed from the formalities imposed for the creation of ordinary insurance concerns, and that they could be constituted by submitting only to the very simple regulations of the law of 1884 on professional associations. These societies

are exempted from stamp and registration duties ; this on condition, in the first place, that they shall be « directed and administered gratuitously », and, in the second place, that « they shall not have in view, and in fact shall not make, any profits ».

The French State did not stop at these simplifications in the formalities and exemptions in taxing. It has been estimated that in many cases agricultural insurance by the mutual aid societies could not develop without pecuniary discouragement, and subventions are accorded to the mutual aid societies which find themselves under the conditions indicated above permitting the application of the law of 1900. It is necessary, further, that these mutual aid societies, to have the right to receive a subvention, should be open to all agriculturists of their district when the insurance is organized by an agricultural society. It is, then, necessary that it should even benefit those who are not members of the agricultural society. It is also demanded that separate accounts shall be kept, preventing confusion in the accounts by which sums destined by the State for insurance Funds might erroneously fall into the coffers of the agricultural societies.

The subventions thus accorded are, in fact, considerable. They were for the first time provided for in the Budget of 1898. At this date the credit set aside for them was 500.000 francs. Not only since then have they appeared in every Budget, but they have constantly grown. Beginning with 1904 they

increased to 600.000 francs, and since 1906 they have risen to 1.200.000 francs.

INSURANCE AGAINST HAIL

There is little to be said about insurance against hail in a study of mutual aid societies as an institution of agricultural insurance. The damage caused by hail each year in a country like France is very great. Many statistics have been produced to estimate its value. Their diversity shows the difficulties of the calculations and the uncertainty of the results obtained. It seems, nevertheless, that it is sufficiently near the truth to speak of an average of 100 to 150 million francs a year.

Insurance against hail is particularly difficult by reason of the collective character of the damage done, and by reason also of the very great inequality of the risks both according to the district and according to the form of cultivation. In France there are regions which almost entirely escape hail storms. In the same district there may be a commune which suffers from hail storms every year whilst another has pratically never any trouble with them. And again, hail is far more to be feared on vineyards than on crops. Not that it spares the harvests of cereals more than those of grapes, but in the cultivation of wheat there is a lesser concentration than in that of the vine, and the damage

resulting from the scourge is less great on a property of the same size. Insurance premiums under such conditions are extremely difficult to determine. Nevertheless, commercial companies which insure against hail are not lacking in our country, to cite only the « Société Nouvelle d'Assurances à Primes Fixes contra la Grêle », the « Confiance » and the « Eternelle », as well as numbers of foreign companies insuring against the same risks in France. But for the most part the policies of these companies do not sufficiently cover hail risks. First of all, they refuse to insure at all in localities where hail storms are most frequent, or at the outside they will insure in those localities only a certain number of the cultivators consenting not to surpass a prearranged figure of indemnity. Such a situation seems of a nature to offer a particular interest for the creation of mutual aid societies. There are, however, very few which have as aim insurance against hail, and, when it is a question of this scourge, one is very far from a development like that of our agricultural insurance societies for insurance against cattle mortality, against fire, or even insurance against accidents. The last Ministerial Report made known, which gives us figures up to December 31st, 1912, establishes that there were then in the whole of France only about forty mutual aid societies for insurance against hail. This is, so to speak, nothing compared with the figures that we shall find

for other forms of mutual aid society insurance.

Nor can we foresee a great number of creations of new societies in the near future. The leaders of our associations who conduct the whole movement of collective insurance in our country districts do not appear to look favourably upon insurance against hail. It is not that they do not interest themselves in the damage caused by hail, but rather they do all they can to try to prevent it in order not to have to repair its ravages. In the districts of the Bordelais and Beaujolais, notably, numbers of our agricultural societies have acquired the necessary material for fighting against hail by firing cannon into the air when the weather threatens. Are the results obtained considerable? This is not the place for a discussion which very sharply divides thereoreticians as it does practicians. It is sufficient for us to note the effort without adding anything as to its success. The agricultural societies do not fight against hail with cannon only. There are also the « electric Niagaras ». Certain unions, notably that of Périgord and Limousin, of Beaujolais, the Union Girondine and the Union Garonnaise, have carried out many interesting experiments which appear to have given good results. Why do our societies, so active and enterprising, not go further and occupy themselves with insurance against hail, since it cannot always be prevented? This is the reason : If insurance against hail is difficult in all its forms, the mutual

aid society is particularly little fitted for such insurance. We shall see, in fact, that the good working of the mutual aid society in agriculture presupposes societies not too numerous in membership, where all members know one another, have confidence in one another, the judgment of each by all being one of the first elements of success. Now, insurance against hail cannot be conceived under such conditions. This scourge at one blow strikes all the inhabitants of a village. The society which only had them to count upon might in a day be faced with liabilities which would overwhelm it. It is sometimes replied that such an obstacle is of a nature to disappear by reinsurance. But this is to misunderstand the normal role of reinsurance. When a society of the first degree has suffered from a catastrophe, that of the second degree normally intervenes to shoulder a part of the liability, without covering it entirely : there is aid and not substitution. In the case of hail, the societies undertaking reinsurance would have, in face of the extent of the disaster, practically all to bear. The superposing of the two organisms thus becomes a futility. It is much more simple to say that insurance against hail would require to cover a wide area, but that it is by that very fact in opposition to the basic idea of professional mutual aid societies. This first observation can further be supported by another. We shall see that one of the advantages of agricultural mutual aid insurance is

to diminish the risks because it entails more precautions. This is true for fire as for cattle mortality risks. But hail cannot be avoided even by the best precautions. Here again we have one of the great advantages of the mutual aid society without effect.

Finally, we can consider that the French agricultural societies are right when they give to insurance against hail a secondary place ; and it would be surprising if in that respect the future brought forth anything different from the present. In consequence it has often appeared necessary that one should seek elsewhere than among the mutual aid societies for the organization of insurance against hail. Many proposals have been put forward whose authors turned towards the State, asking it to guarantee the risks of hail, and at the same time to render this form of insurance compulsory. Detailed examination of these proposals would take us too far from the problems of the associations which should hold our attention. Two remarks should suffice here. The first is, that it is not clear why the obligation should be to insure only against hail risks rather than against other risks. Is it because, by reason of the considerations noted above, we find ourselves carried towards State insurance ? But why conclude from that the idea of obligation ? Our second observation is to recognize that, if insurance by the State can be legitimate, it is then and only when the formation of mutual aid socie-

ties appears impossible and financial insurance companies difficult to deal with, and when, too, it is a question of a particularly redoubtable risk for which a remedy is very necessary.

MUTUAL INSURANCE AGAINST ACCIDENTS

The question of accidents has in a general fashion been solved by our law of April 9th, 1898. The first principle of this law is that all accidents shall give rise to an indemnity due by the employer to the employee, without there being any grounds for seeking the cause of the accident, and without distinction as to whether the accident is the fault of the employee or arises from any fortuitous cause. The second characteristic rule in our law of 1898 is that the indemnities are regulated by scale. There is a tariff which fixes the damages in accordance with the salaries and the gravity of the accidents, classified in different specified categories (death, total and permanent disablement, partial and permanent disablement, temporary disablement). But this law of 1898 does not apply to all workers. To put it more precisely, agricultural labourers benefit from it only in exceptional cases, as for example by virtue of the law of June 30th, 1899, in accidents happening to workers in agricultural undertakings using fixed motors, and only for accidents in connection with these motors. Also it applies to agri-

cultural workers in cases where, conformably with the law of July 2nd, 1907, a cultivator has voluntarily declared his desire to submit to the rules of the law of 1898 for accidents happening to his employees. But it must not be thought that the working agriculturist not covered by the law of 1898 is, because of that fact, without responsibility in case of accident. He has nothing to pay if the accident is the fault of the employee, or in a fortuitous case. But if by his own negligence he may be considered the author of the accident, he is called upon to pay indemnity. This indemnity, however, has not the fixed character of that of which we have spoken connected with industrial accidents covered by the law of 1898. All the damage done must be repaired, whatever may be its importance, and in each case the judges have to decide the amount according to their own estimation.

It follows from this that the agriculturist employer will be responsible less often than the head of an industrial works, because he is exonerated every time that the accident is not caused through his fault. On the other hand, however, in cases where he will be called upon to pay, he may have to pay higher amounts in damages than he would by virtue of the system of the law of 1898. The fixed tariff, in fact, limits responsibility. It can never be above a certain rate. When, on the contrary, it is left to the appreciation of a judge having to measure the full extent of the damage,

no one can know how high the indemnity to be paid by the employer will be.

Such indications show us that the interest to insure against accidents exists as much for the cultivator as for the industrial employer. But when we come to look at the facts it is surprising to note that in industry the employers are almost always insured, whereas in agriculture they are scarcely ever.

Why this difference? It can be explained in two ways : First, the lack of education, which may be translated into lack of foresight, is much more frequent in agriculture, where there are so many small cultivators, than in industry, where concentration even in France is already very advanced, and consequently in most cases big employers have to be dealt with. Further, accordingly as it is a question of industrial or agricultural life, there are very different habits of thought among the employees. Should an industrial worker be injured by an accident in his work, he will nearly always take full advantage of his rights and demand indemnity. Often, on the contrary, the farm servant, or even the worker employed by the day, after his accident will be cared for at the farm by the cultivator's family. What is due to him will then be indirectly paid in kind. He will not think afterwards of bringing an action before the Courts. In noting such a difference it must be remarked, however, that transformation in customs is rapid.

Since about fifteen years the dealings between employed and employer in French agriculture have been much modified. This has taken place by process of evolution of the agricultural employees towards the conceptions in honor among industrial workers. Each day takes them further and further from the quasi-family life in which the farm servant and the agricultural labourer were united to their master by close ties of a common existence and even of long-standing affection. Their share of legal rights has grown up to the detriment of the employers. Also, in all special questions of accidents, the workers are each day less disposed to conciliation and more and more ready to carry their grievances before the Courts.

Moreover, a new law on agricultural accidents has been in preparation for some years. It can be taken for granted that it is not far from being voted. Many proposals run counter, and it would be impossible to say which proposal will gain the upper hand. One certitude stands out, however ; that is, that the agricultural employers will be submitted to a regime resembling that set in force for industrial employers by the law of 1898. We can understand how, by reason of the changes in customs as in an early transformation in the laws, the question of insurance against accidents is discussed in the agricultural world with an ever increasing sharpness. Our societies have, as we have attempted to show in another treatise, a very

keen consciousness of their social duty. They could not therefore neglect the problem of accidents. Their last congresses, notable that held at Nancy in 1909, show us how important a place this question occupies in the present programme of our agrarian society movement. Considerable results have already been obtained. They consist in the creation and multiplication of small mutual aid societies for insurance against accidents. But a few years since such societies were almost entirely unknown in France. It is true that already in 1899 the Union Centrale des Syndicats Agricoles had formed a sort of large mutual aid society to cover accident risks in agriculture. The success of this innovation was rapid and considerable. It represents in itself an organism much more powerful than all the small mutual aid funds of which we shall have to speak. On February 18th, 1913, the Fund of the Union Centrale numbered 15,654 members working 756,000 hectares (1,867,320 acres).

Subscriptions to it amounted to more than one million francs, and it possessed a reserve fund approaching 700,000 francs. But such a fund, comparable exactly to the great mutual aid societies for insurance against fire, has not all the advantages of the small agricultural mutual aid society. This does not mean to say that great services have not been in the past, nor can be in the future, rendered by it. The Fund of the Union Centrale

had the merit of working at a moment when the small mutual aid societies had not yet appeared. It has therefore taken the place of no other organization. In another direction, for what we have before us, this same fund can continue to be of the greatest utility, even though the small mutual aid societies should develop very quickly. It will be sufficient for it to specialize always more and more in reinsurance, as it often does now. Besides the Fund of the Union Centrale, on December 31st, 1910, there were only in France seven mutual aid societies for insurance against accident. The following year, at the end of 1911, there were already 35. The official report showing the position for December 31st, 1912, brings this total up to 65 funds with 8,000 members.

It is especially in the Center and in the West that the movement appears to become more marked. The Syndicats de la Sarthe and then those of Ille-et-Vilaine have particularly directed their efforts towards this end. We should also call attention to those relatively very numerous funds that have been created since 1911 in the county of Indre-et-Loire. These funds form a special group. They all re-insure with the Agricultural Mutual Aid Society « Tourangelle », which has its headquarters at Tours, and whose action is destined to extend, not only through the county of Indre-et-Loire, but also over the adjoining counties.

Their statutes may be considered as typifying

what the rules of such associations should be. This is roughly their general scheme : The mutual aid societies of Indre-et-Loire have but a small radius of action. They nearly always are of the communal type. They embrace two sorts of members, prospective members and ordinary members. Prospective members, as we shall show with more detail when speaking of fire risks, are those already insured with some company who adhere to the mutual aid society but who put off their definite membership until such time as they are quite free to join. The policies are contracted for five years. The annual premiums vary between Fr.5 and Fr.6,25 for a property measuring 1 hectare (2.47 acres) according to the nature of the soil and cultivation. But when the properties grow in extent these premiums are lowered. From twenty hectares (49.40 acres) upwards they are no more than between Fr.1 and Fr.1.25 per hectare (2.47 acres).

It must be noted that the mutual aid insurance societies insuring against accident do not, and can not, guarantee all risks. In the first place, our law of 1898 forbids societies whose capital is inferior to 40,000 francs to insure against risks of death or permanent disablement. This limitation, it is true, no longer applies in the case of insurance against accidents whose compensation remains under the regulations of common law previous to 1898, and this is, we have seen, the case in the greatest number of agricultural accidents. But outside all

legal restriction, small mutual aid societies could not without imprudence accept those too heavy burdens resulting from death risks or risks of total disablement,

None the less, the role of mutual aid societies in agricultural insurance against accident is destined to become greatly enlarged. Most of the drafts of laws which propose the extension of the principles of 1898 to agriculture admit compulsory insurance. This is because their authors fear to see too many small farmers not taking care to insure themselves. It remains for our societies to demonstrate the inutility of compulsion by setting to work at once to multiply mutual aid societies for insurance against accident, by showing them soon sufficiently numerous and prosperous to group together a very considerable number of small farmers. The mutual aid societies thus spread over the land will in the first place have the advantage of acclimatizing — if we may say so — insurance against accident in our country districts. They will next render services which should be rendered by cooperation, that is, to suppress middlemen ; and insurance by mutual aid societies will necessarily be much less costly than that through the companies, since there will be no shareholders to pay profits to. Thanks to the development of the mutual aid spirit in the country, we may hope for the diminution of the number of accidents and the end of more than one abuse. First, there will be

less accidents. Numbers of accidents are due, in fact, if not to absolute fraud, at the very least to negligence of the employer or the employed. Now, it will be to the interests of members of a mutual aid society to keep a certain watch over each other. When accidents on one property may become frequent they will not fail to seek out and discover the cause, and make it clearly understood that it must disappear. There will thus be less abuse. Today the labourer does not hesitate to bring an action for compensation against the impersonal being which an insurance company stands for to him. To deceive it he often finds a ready complicity even among doctors. When, however, he is face to face with a small mutual aid society insurance fund, representing the combined interests of a commune, he will be more careful. The hired workman will no longer dare to make claims without serious foundation. In any case, he will not be able to count upon the same complacency. The authors of such complacency would arouse too much resentment. Perhaps even we might wonder whether the workman would not risk, on the contrary (as today ordinarily happens), being sacrificed because the influence of the members of the mutual aid society might be too great and might extend even to the local magistrate. Fortunately it does not seem that the mutual aid societies in existence have ever up to the present been shortsighted enough to abuse of their power.

We must hope that it will always be the same in the future which appears so near and so bright.

INSURANCE AGAINST CATTLE MORTALITY

In the case of insurance against hail we have found hardly anything but difficulties, and in accident insurance, hardly anything but attempts. The mutual aid societies for insurance against cattle mortality today occupy a much more considerable place. On December 31st, 1912, there were in France 3,200 funds for mutual insurance against cattle mortality, with 420,000 members. These funds insured capital amounting to 640,000,000 francs. They looked to about sixty societies in view of reinsurance, embracing 3,000 mutual aid societies with 170,000,000 francs capital. These figures, in themselves considerable, appear yet more remarkable when it is remembered that but fifteen years ago there was only an infinitely small number of mutual aid societies insuring against cattle mortality. Such institutions were, in fact, unknown in almost the whole of France, and were found scarcely anywhere else but in the Landes, and there only by virtue of what appears to be an ancient tradition.

Our mutual aid society Funds insuring against cattle mortality are far from being all of the same kind. Nevertheless, they have characteristics in

common which we nearly always find. In the first place, the insurance fund against cattle mortality has ordinarily but a small radius of action. Most often it is confined to one commune. It is thus for several reasons. Firstly, a small fund is complicated neither in its constitution nor its administration. It is easily founded by virtue of the law of 1900, as easily as an agricultural society, that is, without special legal formalities and public notices in the Press. Next, its working is simple. All that is necessary is a president, a treasurer and a secretary for the staff to be complete. None of these three persons is heavily burdened. The communal mutual aid societies have still other advantages. On one hand, the good recruiting of members is ensured; the inhabitants of the same commune know each other and can easily group themselves together with judicious choice. On the other hand, neighbours can watch each other more easily, which is an essential element of the mutual aid society's good working, since it is a guarantee against fraud, always to be feared, and against negligence in the care of the cattle.

When a society is created under the conditions which we have just indicated, it has two problems before it : first, it must seek for the resources necessary to pay indemnities; second, it must determine those indemnities.

As to the resources, all mutual aid societies for insurance against cattle mortality do not work

along the same lines. Some demand subscriptions payable before the fatality occurs. These subscriptions are paid either by ordinary members, who participate in the society, or by honorary members, simple benefactors. The subscriptions of honorary members are arbitrarily fixed. As to those of ordinary members, there are several methods of computation. Sometimes the subscription depends on the number of heads of cattle belonging to each member, without any account being taken of the value of the animals. More often, after an estimation of this value, subscriptions are proportionate to it. It is general, for example, to ask 1 % for oxen. When a fatality occurs payment is only made within the limits which the resources thus acquired permit. In other instances there is no prearranged subscription, and the society does no more than make an appeal to its members when there are indemnities to be paid, this appeal being regulated by the extent of the sums to be paid out. There is also a mixed system by which there are regular subscriptions and at the same time appeals for supplementary funds, in case the total of the subscriptions should prove insufficient.

The system of appealing to the members in proportion to the necessities of the moment and without prearranged subscriptions is the oldest. It was notably practised in the « cotises » or « consorces » of the Landes, where we have seen the first of our mutual aid agricultural societies appear. Such a

system, of course, possesses evident advantages. In the first place, it is very simple and reduces the keeping of accounts to a minimum, which is precious for societies whose staff is restricted in number and often little educated. Further, what can be more in the mutualist spirit than this system in which appeal is made to all to repair the misfortune of one? In practice, when insurance against cattle mortality became more developed, it was found that the absence of prearranged subscriptions was not without its serious inconveniences. The members of the mutual aid societies under such a regime are called upon to pay for others when they themselves have suffered no damage. Their altruism is thus put to a rather severe test. It is to be feared that every fatality might give rise to incriminations and refusals to pay.

With the prearranged subscription this danger is avoided, but we are faced by one great difficulty : how to fix this subscription. If it is very low the resources of the society will be weak. When cattle die, especially if in great number, the owners will receive very little, and there will then be much disillusionment. On the other hand, the smallness of the subscriptions will prevent any saving for a reserve fund. The future of the society will remain precarious. If, on the contrary, fairly high subscriptions are asked for, will they not appear excessive to the small farmers, very averse to any advance of money, and will they not thus risk

drying up the source ef recruitment of members? It is to permit of easy working without recourse to large subscriptions that the mixed system has been evolved. But the results have not been good. As with payments without prearranged subscriptions, the members are exposed by this system to disagreeable surprises giving rise to discontent. Also, taking everything into account, the system of fixed prearranged subscriptions may be adhered to as the best. Practice shows that it can work without imposing large sacrifices on the members. For oxen, losses appear to oscilate between 1.30 % and 1.40 % of the value of the herd. They are twice as great for horses. Other kinds of animals need not be mentioned, notably sheep and pigs. In their case the inequalities are too great and insurance is not to be counselled. Keeping in mind the preceding figures, and noting, as we shall show later in more detail, that the indemnities should not completely cover the risks, subscriptions corresponding to 1 % of the value for oxen, and 2 % for horses, may be taken as sufficient.

It is next a question of the fixing and payment of indemnities. A first principle should be here brought out in relief : that is, that these indemnities should never completely cover the risk. The day that the cultivator would no longer be exposed to any loss by the death of one of his animals, or this death would only have the advantage of procuring liquid funds for him, fatalities would

increase, and the mutual aid society would soon founder, borne down by its burdens. There again personal interest is a necessary safeguard.

This rule laid down, it remains to be known how the indemnity is to be fixed. Ordinarily, each beast is valued, and the payment of the premium is proportionate to its value. In well conducted mutual aid societies care is taken to revise the estimation of the value of cattle every six months, as changes can often take place by reason of the different state of upkeep of these animals. In these conditions, once the animal dead, difficulties would not be great were it not for the carcass. Its value has to be settled, and must be deducted from the value of the live animal in order to fix the indemnity. Several means of settlement are practised. Sometimes it is left to the cultivator to sell the carcass of his dead beast, and the price obtained is taken from the indemnity. This method has one great inconvenience, that is, that the cultivator is not interested to get the best he can for the carcass, for if he gets less than he should his indemnity is bigger, and inversely. It is, then, preferable that the mutual aid society should make the sale itself. But this becomes complicated. The best way, however, is that of expert assessment of the value of the carcass, which is left in the owner's possession, after deducting the amount of this assessment from the indemnity, so that the owner has to bear the care and risks of its disposal.

In other directions many elements of diversity still subsist among the statutes of our mutual aid societies for insurance against cattle mortality. We cannot think of indicating them all here. Let us point out only that these societies can differ by the more or less important specialization of their action. Some insure only oxen, others horses, some even pigs and sheep. Further, when a mutual aid society specializes in one kind or other it is not always under the same conditions.

In certain cases there is one fixed tariff, in others a distinction is made accordingly as it is a question of different animals, for example oxen, bulls or cows.

Local mutual aid societies would not be able to fulfil their functions without reinsurance. The extent of their radius of action is too restricted. We have seen that a small area of activity has great advantages, but is contrary to an essential principle in insurance, viz., that which requires a multiplicity of risks in order to bring the law of great numbers successfully into play. In questions of cattle mortality the omission of such a necessity could be particularly fraught with danger. Epizootica often causes a great number of fatalities in the same village. This would prove disastrous to the mutual aid society if it had not taken precautions. Also, a whole system of reinsurance forms the necessary complement of the mechanism which we have just examined. This reinsurance, as we

already know, may be effected either with District Funds or above them with Central Funds, a third degree of reinsurance. As an example of the type of rules regulating this reinsurance we may indicate those of the Caisse Centrale des Agriculteurs de France. This fund only reinsures mutual aid societies established conformably with the law of July 4th, 1900, having a very restricted circumscription, requiring a declaration of value for each animal, and never indemnifying above 80 % of the damage done after expert examination carried out by members. The Central Fund requires of the Local Funds that they shall reinsure a part of the subscriptions that they have received. It also asks for a certain sum out of the subventions accorded to them by the State, in return for which it takes over sometimes a half, sometimes a quarter, of the loss suffered.

Unfortunately reinsurance against cattle mortality is not as wide-spread as is desirable. We have seen how at the end of 1912 the mutual aid funds insuring against cattle mortality taken together united 420,000 adherents with 7,200 mutual aid societies. At this date of 1912 there were only 3,000 mutual aid societies reinsured, and they only numbered 110,000 members. Thus nearly three quarters of those affiliated to Local Funds do not participate in the advantages of reinsurance. Now, these funds for the most part only need very small subscriptions. It is therefore impossible for them,

in spite of State subventions, to have a reserve fund of any importance. The danger of financial difficulties is therefore considerable.

After this exposition it is useless to insist longer on the services which mutual aid society insurance against cattle mortality can render in our country. The damage to be repaired is great. The value of cattle in France has been estimated at about six thousand million francs, and the losses resulting from the mortality of the animals amount each year to 35 to 40 million francs. Now this is a risk against which there is no insurance with commercial companies. It is true that besides the small local mutual aid societies there are in our country a few societies with mutual aid characteristics but with a very wide radius of activity that also have insurance against cattle mortality as their aim. But these societies barely cover more than two million to two million and a half francs of the risks out of the 35 to 40 million francs of annual loss. A very wide field of activity therefore still remains open before the local mutual aid societies. As a matter of fact, the membership of the large societies is almost entirely formed of rich cultivators. The social role of the small mutual aid society is therefore clearly defined. It can ensure the security of a host of small people on our land. At the same time it increases the wealth of the nation because it diminishes mortality among the animals, thanks to better care, failing in which the members of

mutual aid societies would soon be called to book by their co-members.

It is therefore to be regretted that the action of the small mutual aid funds against cattle mortality is not greater. Out of the six thousand million francs representing the value of our national herds they insure scarcely for 500 million francs. This is much more than is done by the big mutual aid societies. But it is still very little, since nine tenths of the animals are not insured.

The State has, however, been prodigal with its encouragements to mutual aid societies for insurance against cattle mortality, first by the law of 1900 that we already know of, then by the subventions of which we have also spoken. On their appearance, that is on the morrow of 1898, each mutual aid society received 500 francs from the State at the moment of its inauguration, and in case of exceptional calamities the State came to the aid of funds particularly hard hit. Today, at the moment of foundation, the mutual aid societies receive from 500 to 1000 francs according to their importance, and the sums which are paid to them when they find themselves in difficulties reach figures which grow more and more considerable.

Can we hope for better than the results thus obtained? It cannot be by indefinitely increasing the subsidies of the State. But it might perhaps be possible to increase their efficacy without greater

sacrifices. Our Ministry of Agriculture, in fact, does not always exercise sufficient care to make of the subventions a means of education for our agricultural mutual aid societies.

The greatest claim to its aid is provided by misfortune ; and its funds go especially to those societies in a bad financial situation. Without doubt it is right not to let local mutual aid societies decline, overburdened by the effects of an epidemic. But encouragement should be given also and especially to the funds with the best organization. We have seen, for example, that very often there is no reinsurance. And then again, numbers of mutual aid societies let themselves be carried away towards asking too low subscriptions, in order to get a greater number of members. In many other cases also tariffs are not drawn up with sufficient care. The necessary distinctions between the divers values of cattle are not made. And our mutual aid societies do not always impose on their members a sanitation policy of a sufficiently rigorous nature. On all these points the State could obtain improvements if it made them the conditions of its generosity.

The services rendered by our mutual aid societies against cattle mortality would thus accrue, and that is the best means of popularizing and still further developing them.

AGRICULTURAL INSURANCE AGAINST FIRE

Risks against fire were insured in the country as well as in town, and in various ways, long before the appearance of agricultural insurance societies.

Since more than a century there have existed in France insurance companies with fixed premiums whose development has been considerable. These companies are commercial organizations having for essential aim the realization of profits for their shareholders. They calculate the probabilities and then draw up their tariff of premiums on bases which leave a liberal margin of profit for them. This profit is made out of the mass of the insured. The latter should seek to free themselves of it.

About the middle of the XIX century mutual aid societies for insurance against fire appeared. These societies had a widely extended radius of activity, insuring all risks of whatsoever nature and without any specialization of a professional oder. Between these mutual aid societies and the companies the difference lies in the fact that there are no profits to go to shareholders, and that the profits of the undertaking are shared between the insured, pro rata to their premiums.

There are also in certain regions departmental or county funds. We would especially cite that of the Meuse, the oldest and most important. Analo-

gous institutions are found in the county of Marne, in the Somme and in the Ardennes. These county funds are of relatively ancient origin. The grater number among them date from the beginning of the XIX century. Thus they made their appearance before the commercial companies and at a time when the principles of insurance were still very imperfectly known. Also, these county funds are badly conceived as organs for insurance. They are quite as much charitable institutions of help in case of fire. Before the fire, in most cases, no care is taken by them clearly to determine the value of what is insured ; and everything is limited to the declaration of the landlord registering all his belongings *in globo*. Thence, when the fire happens, the settling of compensation on such a basis is naturally difficult and arbitrary. Numbers of humane considerations enter into the account. Certain county funds have even indemnified those suffering loss through fire who had never insured.

In spite of these so divergent institutions, of which certain are very powerful, a place was left for the mutual aid society under its professional forms having for aim the guaranteeing against fire risks.

On one hand, in fact, the companies, as we have just said, collect a very heavy tribute from the insured, all the more so when, to the already very considerable shareholders' profits, the cost of representation and canvassing inherent to competition

must be added. Further, these companies will not insure everyone. In a more particular fashion it often happens that they refuse to insure in such and such a district. This may be because there water is scarce and consequently fires too difficult to extinguish. Or it may be because experience shows fires to be too frequent among the cultivators insured in the district. The large mutual aid societies, it is true, have not the same characteristics. They are notably much less onerous, calling for no profits for shareholders, and not having the same costs to bear for representation and canvassing. But very often these societies are little known in our country districts; and then, too, they possess a too great impersonality. The members do not know each other, which is a cause of serious inferiority. As for the county funds, they have rendered services, and still do so. But they are badly adapted to modern necessities, and, further, their development is scarcely possible. These funds, in fact, are of official creation, and the authorities appear very little disposed to establish them in counties where they do not already exist. In any case, county finances could not be put into such concerns, as the law forbids that they should be used for any insurance purpose.

The small agricultural mutual aid societies against fire are relatively ancient in our country. They exist since about 1860 in Auvergne, in Savoy, in Isère and in Ain. Sometimes they are found in con-

siderable numbers. In the single county of Ain there were more than 150 at the end of the XIX century.

But the law of July 4th, 1900, with its simplifications in formalities and its fiscal favours considerably helped to hasten on the movement. Since then the development of local mutual aid societies against fire in our country places has been prodigious. A few figures will give a sufficient idea of this. On December 31st, 1912, there were in France 7,420 fire insurance societies, of which 700 had been created in the same year just ended. The number of their adherents amounted to about a hundred thousand. The rural buildings insured had a total value of over a thousand million francs. Further, besides the active members in the mutual aid societies, there are prospective members whose situation we are about to define. Suffice it to say here that their number totalled about forty thousand at the end of 1912, with property of a value of more than 800,000 francs. Above the local funds, at this date of 1912, there were already about thirty reinsurance funds of the first degree ; then above these again two funds of the third degree, the Central Agricultural Insurance Fund and the National Fund of Agriculturists. The Central Fund, founded on April 1st, 1900, alone reinsures fifteen district funds, according to the latest official documents. Through these district funds it reaches 2,592 local funds. The Caisse Nationale de Réassurances Agri-

coles is of more recent origin. It was founded only in 1912 by the Fédération de Coopération et de Mutualité. No official document has yet indicated the figure of its affairs, but its role is certainly much less than that of the Union Centrale. The tendencies of these two organizations are also very different. The Union Centrale finds its support especially in the Société des Agriculteurs and the agricultural societies. The Caisse Nationale, on the contrary, finds its support in the Funds of the Crédit Agricole, subventioned by the State, and possessing a character more nearly approaching official.

After what we already know of the working of the mutual aid insurance societies against cattle mortality, there is little to add as regards fire insurance. The similarities are in fact great. Here again we find societies whose radius of activity is not large in extent, mostly confined to one commune. We come across the same simplicity in the formalities and the same diversities when it is a question of deciding how the system of premiums shall be organized, or how the indemnities shall be regulated.

Nevertheless, with a structure about the same, there are still differences connected with the very nature of things. Let us note the principal : First of all, in mutual aid insurance against fire we do not find the exact equivalent of the rule fixing the indemnities, as in the case of cattle, far below the

amount of the loss suffered. Of course, the victim of a fire must not be able to realize a profit on account of such fire. It can even be considered desirable that he should feel some loss in spite of the aid of the insurance. But this loss can without inconvenience be small. It is true that with cattle efforts must be made towards ensuring the best care on the part of the insured farmer. With fire it is sufficient not to tempt crime or grave negligence, so nearly akin to it.

Also, in mutual aid societies for insurance against fire we find people that are not found in the same sort of societies for insurance against cattle mortality. We refer to prospective members, to whom we have already made allusion. What then are these prospective members? To understand this clearly it must be remembered that at the moment a mutual aid fund against fire or against accident is formed there is in each commune a number of agriculturists already insured either with commercial companies or with large mutual aid societies. Among them are some quite disposed to become members of the society about to be formed. But they cannot renounce the contracts which bind them elsewhere. Now, if they waited until they were free of such contracts to join the local mutual aid society, great inconveniences might stand in their way. In the first place, it might not be possible to form the local mutual aid society through lack of sufficient members. The law requires seven. Fur-

ther, supposing that the sufficient number be found, it would be regrettable to see men left aside perhaps capable of bringing precious aid to the new organization. And again, the desire manifested at the moment of the formation of the mutual aid society might not last until the time when they could enter the society owing to their previous contracts having expired, especially if the local society, already successful and in full swing, with perhaps a reserve fund, should have by then fixed an entrance fee for new members. It was to avoid these inconveniences that prospective membership was thought of. When an agriculturist desirous of participating in the mutual aid fund cannot immediately become a member through being obliged to pay premiums elsewhere he is received provisionally. By this it is understood that he will become an active member only on the expiration of his current insurance policies. But in the meantime the prospective member pays a small sum to mark his entrance, which at the same time is an element in the constitution of a reserve fund for the society. This sum, too, is afterwards deducted from the first premiums to be paid by him.

In theory, the problem of reinsurance, like most of the others, is roughly the same whether it is a question of fire or cattle mortality. But in fact, there is an important difference. We have seen that our mutual aid insurance funds against cattle mortality are too often not reinsured. It is not the same

with the societies for fire insurance. The last official report, referring to the end of 1912, shows us that there were then 3 200 mutual aid societies reinsured, that is to say, nearly all, since we know that the total figure does not amount to more than 3 400. Further, the indications which we have given concerning the Caisse Centrale sufficiently show that, not only is there nearly always reinsurance of the second degree, but also of the third degree.

Why this difference between the two principal types of agricultural mutual aid societies though the needs for reinsurance seem the same ? It would be difficult to define reasons. They no doubt are found in this fact, that for insurance against cattle mortality the movement has more worked upwards from the bottom, from the village itself, whereas for insurance against fire it has rather worked downwards from organizations already powerful, like our great unions of agricultural societies. It is, in fact, easy to understand how mutual aid societies brought into being far from one another, formed by men less expert in the practice of social economy, have grouped themselves together for reinsurance less rapidly than those societies brought into being under the wing of powerful organizations and by founders full of practical experience.

The agricultural mutual aid societies for insurance against fire render great services in the country. In the first place, for our agriculturists they are the cause of a serious economy in diminishing

the cost of insurance. Next, they protect their members from many surprises when a fire does occur. It is only too well known how the policies of insurance companies are intricate. Their obscurities are dangerous for all. They are particularly so for the cultivators, who generally are little capable of seeing all the traps hidden in a too clever wording. Further, the mutual aid societies increase the numbers of those insured in our villages. This is first because, as we have already pointed out, there are districts where insurance with companies and even with big mutual aid societies is difficult, perhaps impossible. Then again, because the mutual aid society members of a commune are agents of propoaganda far more numerous and speaking with far more authority than canvassers of insurance companies. But these are not the the greatest services rendered by the small mututal aid societies for insurance against fire. They are to be found especially in the diminution of the number of fires. It is to the interest of all those adhering to a mutual aid fund that the houses of their neighbours should not catch fire. This being so, any negligence would soon be pointed out (to say nothing of crime rendered impossible because it would be certainly denounced) and the agriculturist at fault soon called to order. Thanks to these mutual aid societies, not only are there less fires, but they are less serious. When a villager is insured with a company it is well known that, once his building is alight,

it is to his interest that it should burn right down, which will help the settlement of the indemnity; and discreet neighbours do not always hurry too much to bring aid perhaps little desired. But with mutual aid societies it is very different. Their members, on the contrary, will be filled with the zeal which personal interest always gives. Thence the extinction of the beginning of many a fire which, without the influence of the mutual aid society, might have developed into a blaze.

It is hardly necessary to insist that such advantages are not only of economic but are also of a moral order. It is here as on so many other grounds that we see the admirable value of the mutual aid society in giving to the highest duty that so much appreciated sensation of individual profit, thus providing a connecting link between altruism and individualism in its legitimate form.

It might be thought that the local mutual aid societies for insurance against fire find the reward for their services in a general approbation and in encouragements from all sides. It is far from being so. The State, it is true, after some hesitation has understood that the mutual aid society fire insurance organizations are also as worthy of its subventions as are those for insurance against cattle mortality. Its generosity is extended to one as to the other. But then, whilst mutual aid societies for insurance against cattle mortality run counter to no other organizations, those for insurance against

fire meet with the hostility of ordinary insurance companies. Strictly speaking, this hostility is not perhaps so much the result of events as an apparent competition would make it appear. On one hand the risks that the agricultural societies take are hardly sought after by the ordinary companies, and what they lose represents but a very small stone from a rich diadem. On the other hand, in our time and in our country, the insurance companies have a far more redoubtable enemy to face than the small mutual aid societies. That enemy is the State. Up to the present the State has contented itself with imposing heavy taxes on them. But numerous precursory signs allow us to forecast that it will not stop at that. If no reaction intervenes in our march towards State intervention in everything, the policy of monopolies is not far off, and one of the first monopolies in France will be that of insurance, particularly fire insurance. This monopoly would necessarily cause the small mutual aid societies against fire to disappear at the same time as the big companies. The social advantages of the agricultural mutual aid society are therefore like a lightning conductor which may serve to turn aside the thunderbolt from the already seriously menaced companies.

But this service, great as it may be, is indirect and uncertain. Up to the present the big insurance companies have refused to appreciate it and have undertaken a struggle without mercy against agri-

cultural mutual aid societies. The methods employed in this struggle are many. In their own particular Press, and sometimes even in big newspapers which appear quite independent, the companies level the most severe criticisms against the small mutual aid societies. And then they cause more to be said than what they write, and their representatives spread throughout France more than one damaging rumour against a competition which they so detest.

The insurance companies, to combat the mutual aid societies, have also tried conclusions on legal grounds. In this connection there have been episodes of which the history in detail would take us too far. Let us point out only how it was at first attempted to contest the right of mutual aid societies to constitute themselves under the simplified forms allowed for by the law of July 4th, 1900, on mutual aid societies. But this pretension was very decisively thrown out by our Courts. They justly decided that there was no difference to be made in this respect between fire insurance, insurance against cattle mortality and against accident.

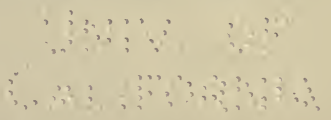
The capitalist companies then sought other difficulties to create. They maintained notably that mutual aid insurance societies for fire created under the forms of the law of 1900, being veritable societies, their members could withdraw when they liked, and could not be held liable during five years after their resignation, as is the rule in insur-

ance. Now if, in fact, the members of the mutual aid society could withdraw when they liked, numbers of them would, it was contended, not fail to disappear after a fire entailing heavy indemnity, and the whole existence of the mutual aid societies for insurance against fire would be thus compromised.

The companies pretended also that reinsurance of the small mutual aid societies was illegal, the societies for reinsurance being veritable unions of societies, and these unions, by virtue of the law of 1884, having no right to carry out any commercial operations.

After many judicial ups and downs a decree of the Civil Chamber of our Cour de Cassation dated May 24th, 1913, ruined all these pretensions hostile to local mutual aid societies for insurance against fire and gave to the latter a security for the future which will be fruitful.

The successes thus obtained should not prevent the search for new perfections, and considerable progress is still to be realized. This should be especially in the diminution of expenses. The mutual aid societies have not the same expenses, connected with competition, as the insurance companies have. The cost of their working, it would seem, should be much less. It is not always so, and very often the expenses of the mutual aid societies, especially those of the district reinsurance funds, are, relatively to the amount of their business, very nearly comparable



to those of the big commercial companies. This may be because an economy of general expenses for a company is realized by reason of the very extent of its business. But this explanation is not sufficient, and there remains a margin for improvement in the administrative organization of our mutual aid funds.

Again, it is to be hoped that the mutual aid society will be able to free itself more and more from State subvention. We insisted on this necessity when we spoke of Credit organization. Here we could repeat the same objurgations, and they apply equally to all forms of agricultural mutual aid insurance.

In conclusion, almost all the work yet remains to be done in matters of accident insurance. Numerous funds remain to be created for insurance against cattle mortality, and the system of reinsurance in this branch is still very insufficient. With fire insurance we are nearer the end aimed at as regards reinsurance, but here also the number of local funds can be increased, which, as we have seen, are still relatively few compared to the number of our 36,000 communes.

There is, further, every reason to hope, basing our calculations on the rapidity with which results have already been obtained, that a few years will suffice to arrive at those other results still to be desired.

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